

SENATE BILL REPORT

SB 5171

As Reported By Senate Committee On:
Ways & Means, February 12, 2007
Transportation, March 1, 2007

Title: An act relating to contribution rates in the Washington state patrol retirement system.

Brief Description: Establishing contribution rates in the Washington state patrol retirement system.

Sponsors: Senators Schoesler, Pridemore, Fairley, McAuliffe, Shin, Prentice, Sheldon, Franklin, Kline and Rasmussen; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 2/07/07, 2/12/07 [DP-TRAN].
Transportation: 2/28/07, 3/01/07 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass and be referred to Committee on Transportation.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Erik Sund (786-7454)

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 5171 be substituted therefor, and the substitute bill do pass.

Signed by Senators Haugen, Chair; Marr, Vice Chair; Murray, Vice Chair; Swecker, Ranking Minority Member; Benton, Berkey, Clements, Delvin, Eide, Holmquist, Jacobsen, Kastama, Kauffman, Kilmer, Sheldon and Spanel.

Staff: Dory Nicpon (786-7321)

Background: The Washington State Patrol Retirement System (WSPRS) covers all commissioned officers of the Washington State Patrol (WSP). Members of WSPRS may retire at age 55 or after 25 years of service at any age. It is the only retirement system operated by Washington with a mandatory retirement age, which is 60 years of age.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

In 2001, the Legislature adopted ESB 5143, which made the following changes to WSPRS for members who joined the plan prior to January 1, 2003: (1) increased the annual cost of living adjustment (COLA) benefits of retirees and survivors from a 2 percent per year simple increase to a 3 percent per year compounded Consumer Price Index-based increase; (2) changed the employee contribution rate from a fixed 7 percent of pay to the greater of 2 percent or one-half of the total contribution rate required by the plan (with the state paying the other half); and (3) excluded voluntary overtime earned by members working for the Department of Transportation from the definition of salary.

ESB 5143 also changed provisions of WSPRS for members who became members after January 1, 2003. Some of the changes included: (1) changed the period used for calculating average final salary from two years to five years; (2) excluded annual and holiday pay cash-outs from calculation of average final salary; (3) changed military service credit provisions to permit only the purchase of up to five years of interruptive military service credit; and (4) eliminated an automatic post-retirement death benefit and replaced it with an optional, actuarially-reduced survivor benefit like that offered in the Plans 2 and 3 of the state retirement systems.

The current funding policy for WSPRS calls for the total required contribution rate to be split evenly by employees and employers, except that: (1) there is a minimum contribution rate of 2 percent for employees; and (2) the survivor benefits for deceased members who were disabled prior to July 1, 2006, are funded exclusively through employer contributions. The employee and employer contribution rates for the 2005-07 fiscal biennium are both 4.51 percent. The contribution rates adopted by the Pension Funding Council (PFC) for the 2007-09 biennium are 6.70 percent for the employees and 7.75 percent for the employer.

Summary of Bill: The member contribution rate for WSPRS is reduced to the lesser of one-third of the total required contribution rate or 7 percent. The employer contribution rate is the remainder of the required total contribution. Contribution rates for the 2007-09 fiscal biennium are established at 4.47 percent of pay for employees and 9.98 percent of pay for the employer.

After July 1, 2009, the total contribution rate in WSPRS may not drop below 70 percent of the system's normal cost as calculated under the entry age normal actuarial valuation method.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Transportation): The reduction in the member contribution rate for WSPRS is changed to the lesser of: one-half of the adjusted total contribution rate; or 7 percent, plus 50 percent of the contribution rate increase caused by any benefit improvement effective on or after July 1, 2007. Specific contribution rates for the 2007-2009 biennium are removed. Technical clarifications are made, and the act is null and void unless SSB 5937 and SB 6129 are enacted by June 30, 2007.

Appropriation: None.

Fiscal Note: Original fiscal note available. Substitute requested on February 28, 2007.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.

Staff Summary of Public Testimony (Ways & Means): PRO: The Washington State Patrol Retirement System (WSPRS) is a small plan and is vulnerable to rate fluctuations. The members would not have agreed to the reduced rates if they had known that rates would rise again so quickly. The State Patrol faces challenges in the recruitment and retention of qualified individuals, which is partly due to salary and benefit issues. The stable contribution rates provided by this bill, in combination with pay raises, will help the agency recruit good candidates for years to come. Capping member rates at the old rate of 7 percent is fair because members do not participate in Social Security.

Persons Testifying (Ways & Means): PRO: Chief John Batiste, Washington State Patrol; Rick Jensen, Paul Neal, Washington State Patrol Troopers Association.

Staff Summary of Public Testimony (Transportation): PRO: This bill passed through the Select Committee on Pension Policy. It addresses the issue of recruitment and retention within the Washington State Patrol, and corrects a pension funding error made in 2001.

Persons Testifying (Transportation): PRO: Senator Schoesler, prime sponsor; Rick Jensen, Tommie Pillow, Paul Neal, Washington State Patrol Troopers Association; Captain Jeff DeVere, Washington State Patrol.